# Making Money in Health Care and Life Sciences

## Course Objectives

1. Identify the sources of revenue and expense for industry participants
2. Define key performance indicators (KPIs) used by industry participants
3. Recall sources of financial information
4. Use financial information to better understand specific organizations

# Final Test

*Correct answers are in bold.*

## Question #1

Course Objective Met: OBJ3

**Which are sources of financial information? Select all that apply.**

**Annual reports**

**Regulatory filings**

**Investor presentations**

Product brochures

## Question #2

Course Objective Met: OBJ2

**Which are KPIs for health care providers? Select all that apply.**

Medical loss ratio

**Payment-to-cost ratio**

**Beds**

Membership

## Question #3

Course Objective Met: OBJ1

**What is the primary source of revenue for private payers? Select the correct answer.**

Administrative fees

Net investment income

**Premiums**

Taxes

## Question #4

Course Objective Met: OBJ1

**Which reimbursement method pays health care providers a specific fee for a service regardless of the cost incurred? Select the correct answer.**

Time and materials method

**Fee-for-service method**

Cost-plus payment method

Cost payment method

## Question #5

Course Objective Met: OBJ1

**Which term do health insurance companies use to describe operating expenses? Select the correct answer.**

Benefit expense

Fees for service

General insurance overhead expenses

**Selling, general and administrative expenses**

## Question #6

Course Objective Met: OBJ4

**Why should you use financial information to help you understand an organization? Select all that apply.**

**It improves your understanding of the organization’s business**

**It allows you to participate in conversations with senior executives**

**It helps you prioritize your efforts**

It improves the organization’s strategy

## Question #7

Course Objective Met: OBJ2

**Which financial performance indicator measures a payer’s benefits paid to total premiums (or funding) received? Select the correct answer.**

Expense ratio (ER)

**Medical loss ratio (MLR)**

Post-benefit margin (PBM)

Premiums retained margin (PRM)

## Question #8

Course Objective Met: OBJ2

**Which KPI typically represents 65%-80% of revenue for biopharma companies? Select the correct answer.**

Operating margin

Net sales

Royalties

**Gross profit margin**

## Question #9

Course Objective Met: OBJ1

**Which is the largest source of expense for most medical technology companies? Select the best answer.**

**Cost of products sold**

Interest expense

Research & development

Supply chain management

## Question #10

Course Objective Met: OBJ1

**Which items are subtracted from gross sales when calculating net sales for a medical technology company? Select all that apply.**

**Sales discounts**

**Sales rebates**

**Product returns**

Royalties